

Confidential



Ashland Commission - Executive Summary

October 12, 2004

Summary

Two highly experienced paper industry executives will acquire and retrofit a shuttered mill in Ashland, NH so as to make, market and sell high margin specialty paper using a new business model and a unique equipment configuration. This project will create 45 new jobs in the Ashland community and will showcase environmentally progressive practices

The investment is expected to yield investors high returns in addition to stated social and environmental benefits

Business Thesis

- **Management:** Experienced (over 20 yrs each) and investing significant personal capital
- **Market:** Paper industry at low in cycle; major (commodity) mills shutting down; specialties maintaining growth and margin (less cyclical); significant opportunity (timing, supplier dynamics) for new player, new model;
- **Model:** mini-mill with unique equipment configuration and exclusive focus on specialty grades;
- **Financial:** attractive pricing/terms on plant and equipment and small footprint limits capital investment, making for compelling opportunity for new paper manufacture;
- **Socially responsible:** 45 new jobs in a financially challenged community; environmental showcase for paper mills and the industry.

An Experienced Team

Respected and well known in the Pulp & Paper Market

Joe Kneeland
*Chief Operating Co-
Founder*

A 40+ years in the pulp and paper industry, former President Boise Cascade (Canada), CEO of Kruger, Inc.

Scott Vallely
*Chief Executive Co-
Founder*

20+ years in paper manufacturing and distribution, former Managing Director of AT Clayton's Specialty Division

TBD
Director of Finance

The Company will actively recruit a full time Director of Finance to be located at the plant.

Bob Blythe
*Business Development
Consultant to Project,
Co-Founder*

20+ years experience in project development and will assist Coy management with Financial and accounting matters

Industry Thesis

- **Consolidation continues in high volume grades**
 - IP/Champion (\$28.2billion/14.4million tons)
 - GP/Fort James (\$22.2billion/11.5million tons)
 - Weyerhaeuser/Willamette (\$15.9billion/8.1million tons)
 - Mead/Westvaco (\$8.2billion/6.8million tons)
- **Expect more closures and bankruptcies of antiquated specialty mills**
 - Recent machine closures include Lyons Falls, Fletcher, Columbus, Curtis
 - Bankrupt mills include Plainwell, Eastern, American Tissue, Merrimac
- **Market opportunity: focus on low volume, value-added products with state-of-the-art manufacturing capabilities**
 - Performing specialty paper companies include, FiberMark, Hollingsworth/Vose, Alhstrom, Wausau, and MeadWestvaco
- **Coy Strategy**
 - Low-cost supplier of value-added specialty paper
 - Customer centric selling and manufacturing approach supported by state-of-the-art capital equipment
 - Potential to create network of mini-mills to enhance geographic and production efficiencies

The Mini-Mill Concept

- **Economies of scale for low-volume, high-margin, service-oriented manufacturing**
 - *Customer-centric manufacturing approach*: integrated product development and manufacturing to meet unique needs of target customer base
 - *Significant manufacturing efficiencies*: paper machines designed to optimize trim width and minimize set-up time — creates competitive production efficiencies and high utilization rates
 - *Variable cost advantage*: ability to utilize and locally secure low-cost recycled furnish (available in small quantities)
 - *Fixed cost advantage*: modest up-front plant and equipment investment coupled with low overhead and efficient staffing

Specialty Paper Market

- **Specialties are grades of paper with unique internal components, surface features, coatings, or additives produced for specific end users**

	TARGETED COY GRADES			
	COMMODITY PAPER	PREMIUM PAPER	SPECIALTY	PREMIUM SPECIALTY
NORTH AMERICAN MARKET IN TONS	> 75,000,000	~ 10,000,000	~ 10,000,000	~ 5,000,000
MARKET/GRADE IN TONS	> 1,000,000	< 1,000,000	< 1,000,000	100 TO 350,000
TYPICAL PRICING	< \$900/TON	\$900 TO \$3,000/TON	\$1,000 TO \$3,000/TON	\$2,500/TON AND UP
EXAMPLE OF GRADES	Newsprint, offset, copy papers, magazine papers, catalog papers, packaging	Opaque, cover stock, tape, label, cotton, security, coating base	Release liner, carbonless, colors, thermal base, specialty packaging, twisting, barrier	Filtration, medical, flame, inter-leaving, duplex, impregnated, electrical

- **Annual production of 14,400 tons/year target identified customers in 15 million tons/year specialty and premium specialty paper market (\$3.5 billion addressable market)**
 - 60% of addressable market within 350 mile radius of Ashland facility

What are Specialties?

- **Market size - 15 million tons annually or over \$15 billion (2003e mill sales)**
 - Non-commodity papers, developed to target manufacturing specifications for a unique end user's function
 - Grades with unique internal components, surface features, coating and/or additives

	Specialty	Premium Specialty
Example Grades	Release liner, carbonless, colors, thermal base, specialty packaging, twisting, barrier	Filtration, medical, flame, inter-leaving, duplex, impregnated, electrical
Commonly Used Fibers	Chemical, wood fibers	Chemical, wood, cotton, hemp, jute, poly, non-wovens (man-made), flax
Dynamics of Typical Grades	Manufacturing runs > 20 tons; numerous end users; high service levels required; product must meet end user specifications run to run	Low volume runs; stable pricing; predictable demand; long product life cycle; market penetration requires product development and ongoing technical support
Profile of Producers	Many competitors have similar capabilities. Most producers operate older paper machines originally designed to manufacture commodity products that have been modified to produce specialty grades	Competitors have distinct capabilities. Paper machines produce small volume runs with frequent grade changes using unique fibers.
Market Characteristics	Good market size; a number of end users for similar grades; grades have known specifications; prices stable but raw material costs can vary	Fragmented market; pricing and cost of raw materials stable; limited number of producers; grades unique to specific end user; high degree of customer service required; competition from off-shore producers.

Environmental & Community Benefits

- **Environmental benefits and specialty paper making capabilities differentiate Coy Specialty's mini-mill from other paper making facilities in North America**
 - Majority of Coy paper grades will utilize recycled fibers locally sourced
 - Exploring LEED certification for building including:
 - Alternative energy
 - The mini-mill emits minimal effluents and no odors
 - Excess water, chemicals and fiber recycled through “closed loop” manufacturing process

- **Ashland facility located in economic empowerment zone**
 - Create over 45 local, well compensated jobs with benefits while implementing much needed business solution for specialty paper industry

The Coy Competitive Advantage

- New State of the Art Fiber and Paper Making equipment with all the required features
- Efficient production equipment engineered from the ground up for Specialty grades
- Ability to incorporate additives, surface treatment and finishes, unique sheet profiles and formation, economically replicate specifications
- Two 'twin' Paper Machines for added flexibility and service
- Fiber preparation to include refining, blending and processing of unique pulps
- Able to lock in raw material for stable pricing
- Logistically convenient to market
- Strong Research and Development for production of unique product specifications and field technical support
- Experienced, hands on, knowledgeable management team
- Thorough understanding of market segmentation and end user's requirements

Why Ashland, New Hampshire

- **Quality of tangible assets acquired**
 - Facility size, layout and infrastructure well suited for machine installation
 - Available power and water sources
- **Environmental support provided by the state of New Hampshire - Site is 'clean'**
- **Attractive geographic location**
 - Proximity to targeted customer base
 - Attractive local sources of recycled fiber
 - Available skilled labor force
- **Community block grants and other credit enhancements provided by the State**